

FLATHEAD VALLEY COMMUNITY COLLEGE

FLATHEAD COUNTY, MONTANA

Fiscal Year Ended June 30, 2007

AUDIT REPORT



Prepared Under Contract With:
MONTANA LEGISLATIVE BRANCH, AUDIT DIVISION
PO Box 201705, Helena MT 59620-1705

LEGISLATIVE AUDIT DIVISION

Scott A. Seacat, Legislative Auditor
Tori Hunthausen,
Chief Deputy Legislative Auditor



Deputy Legislative Auditors:
James Gillett
Angie Grove

November 2007

The Legislative Audit Committee
of the Montana State Legislature:

Enclosed is the report on the audit of Flathead Valley Community College for the fiscal year ended June 30, 2007.

The audit was conducted by Denning, Downey & Associates, CPA's PC under a contract between the firm and our office. The comments and recommendations contained in this report represent the views of the firm and not necessarily the Legislative Auditor.

The agency's written response to the report recommendations is included in the back of the audit report.

Respectfully submitted,

A handwritten signature in dark ink, appearing to read "Scott A. Seacat", with a long, sweeping horizontal line extending to the right.

Scott A. Seacat
Legislative Auditor

07C-08

FLATHEAD VALLEY COMMUNITY COLLEGE

FLATHEAD COUNTY, MONTANA

Fiscal Year Ended June 30, 2007

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FLATHEAD VALLEY COMMUNITY COLLEGE

FLATHEAD COUNTY, MONTANA

ORGANIZATION

Fiscal Year Ended June 30, 2007

BOARD OF TRUSTEES

John Engebretson
Robert Nystuen
Thomas Harding
Ralene Sliter
John Phelps
Alison Young
Mark Holston

Chairperson
Vice Chairperson
Trustee
Trustee
Trustee
Trustee
Secretary

DISTRICT OFFICIALS

Jane Karas

President

MANAGEMENT'S DISCUSSION AND ANALYSIS

FISCAL YEAR 2007

Flathead Valley Community College (FVCC) is dedicated to improving lives through learning. FVCC is located on two campuses located in Kalispell and Libby, Montana.

Reading the Annual Financial Report

A requirement of GASB 35 is the Management Discussion and Analysis (MD&A) of the annual financial statements. This section includes narrative descriptions of the FVCC financial condition, results of operations and cash flows. The MD&A's purpose is to aid readers in understanding the accompanying financial statements through analysis of FVCC's financial activities based on currently known facts and conditions. This MD&A should be read in conjunction with the accompanying financial statements and footnote disclosures.

The following Management's Discussion and Analysis (MD&A) provides an overview of the financial activities of FVCC for fiscal year ended June 30, 2007.

How the Financial Statements Relate to Each Other

The financial statements included are the Statement of Net Assets; Statement of Revenues, Expenses, and Changes in Net Assets; and the Statement of Cash Flows.

The financial statements are presented using the accrual basis of accounting. The accrual basis of accounting simply means that the transaction is recognized (recorded) when an exchange takes place. An exchange can be defined as a situation in which each party receives and gives something of equal value. For example, a student registers for a class on July 1st and sets up a payment plan to pay tuition and fees in full by July 31st. On July 1st, there is no cash presented, however, because the registration (exchange) takes place (reserved seat in class equals commitment to pay), revenue is recognized on July 1st. An offsetting student receivable is set up to track the amount the student owes. As the student pays for the tuition and fees, the receivable is reduced by the same increment.

The most basic relationships between the statements are described below. The Statement of Net Assets presents a snap shot of the financial condition of FVCC on June 30. The Statement of Revenues, Expenses, and Changes in Net Assets presents the results of activities for FVCC throughout the fiscal year. The Statement of Cash Flows indicates where and how cash was utilized and provided in order to operate throughout the fiscal year.

Statement of Net Assets

Assets and liabilities are presented in a classified format. This format differentiates between current and non-current assets and liabilities. Net Assets (assets less liabilities) are presented in three categories applicable to FVCC:

- Unrestricted
- Restricted – Expendable
 - Nonexpendable
- Invested in Capital Assets, Net of Related Debt

This statement is one way of measuring FVCC's financial position at the end of the fiscal year. Improvements or deterioration of financial position can be measured over time by analyzing the change in net assets.

The following is a summary of the Statement of Net Assets for each fiscal year:

CONDENSED STATEMENT OF NET ASSETS

	At 6/30/07	At 6/30/06	At 6/30/05	At 6/30/04
Total Current Assets	\$9,191,585	\$8,323,068	\$7,182,923	\$6,624,681
Total Non-Current Assets	\$25,902,851	\$26,527,337	\$18,854,572	\$8,672,805
TOTAL ASSETS	\$35,094,436	\$34,850,405	\$26,037,495	\$15,297,486
Total Current Liabilities	\$3,118,919	\$3,419,860	\$2,509,070	\$2,244,107
Total Non-Current Liabilities	\$16,523,457	\$17,732,516	\$12,554,669	\$3,173,300
TOTAL LIABILITIES	\$19,642,376	\$21,152,376	\$15,063,739	\$5,417,407
Invested in capital, net of related debt	\$9,334,987	(\$4,918,200)	(\$3,692,278)	\$5,515,692
Restricted-expendable	\$0	\$13,836,405	\$10,745,202	\$2,207,177
Unrestricted	\$6,117,073	\$4,779,824	\$3,920,832	\$2,157,210
TOTAL NET ASSETS	\$15,452,060	\$13,698,029	\$10,973,756	\$9,880,079

Information significant to reading the Statement of Net Assets:

- The Net Assets Invested in capital, net of related debt is primarily made up of the value of the buildings and the land held by the College and the associated bond indebtedness. The FY2005 and FY2006 ending deficit balances in the Net Assets Invested in Capital, Net of Related Debt were due to the construction in progress. There were unspent bond proceeds for the college expansion. The cash balance from those proceeds was recorded in the Restricted-expendable category of Net Assets. With the expansion completed, the resulting assets from the project are now recorded in the Net Assets Invested in Capital, Net of Related Debt, and the previous deficit has been eliminated for FY2007. This is simply a result of GASB 34/35 requirements for the classification of net assets and was an expected event during the expansion project involving bond indebtedness.
- Restricted-expendable Net Assets were held primarily in the grant and bond proceeds restricted for the campus expansion project.
- Unrestricted Net Assets is made up of operating activities, auxiliary activities, and also numerous designated activities which include:

1. **Student Activity Fee** – Any change in the student activity fee must be approved by a majority of the voting students, and approved by the Board of Trustees. The Student Activity Fee is deposited into an agency account and is administered by the Student Senate for the purpose of supporting programs, services, and activities for College students. 50% of the Student Activity Fee is specifically designated for the athletics programs of the College.
2. **Laboratory Fees** – Laboratory fees are intended to augment, not replace, basic operating expenses. They may be assessed and used for:
 - a. Consumable supplies (including computer software)
 - b. Special facility rental or services
 - c. Unusual vehicle costs

Laboratory fees are intended for use during the semester collected. The amount will be recommended by the instructor through the division chair to the appropriate administrator, with approval beginning in Business Services and final approval granted by the President.

Laboratory fees are not intended for:

- a. Equipment
 - b. Continuing personnel costs
 - c. Roll-over (accumulation of funds for a future purchase)
3. **Building Fees** – Building fees shall be collected specifically for the purpose of purchasing or selling land, installing major utilities, infrastructure requirements, completing major landscaping, purchasing or selling buildings, lease-purchasing buildings, constructing buildings, remodeling buildings, demolishing buildings, constructing parking lots, constructing roadways, constructing other campus improvements, and purchasing architectural and engineering services related to these buildings fee purposes.
4. **Computer Fees** – Computer fees shall be collected for the purchase or lease of computer equipment, software, maintenance or related items which will benefit the instructional programs. Expenditures may not be made for recurring personnel services.
5. **Equipment Fees** - Equipment fees shall be collected for the purchase, lease or maintenance of equipment and other related expenditures which will provide a primary benefit to the educational programs including the library.
6. **Grounds Maintenance Fee** – Grounds Maintenance Fees shall be collected for the construction, maintenance and safety of hard surface areas on the campus.

Statement of Revenues, Expenses, and Changes in Net Assets

The Statement of Revenues, Expenses, and Changes in Net Assets reflects the results of operations for each fiscal year, distinguishing between operating and non-operating revenues and expenses as defined by GASB 35. GASB 35 has defined appropriations (state and local) as non-operating revenues, thus, FVCC is showing an operating loss \$6,609,283 for FY2007. Once the appropriations dollars are considered, the results become a gain of \$1,863,092 for FY2007. Inclusion of state and local appropriations is a more useful measure of FVCC regular activities.

CONDENSED STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS

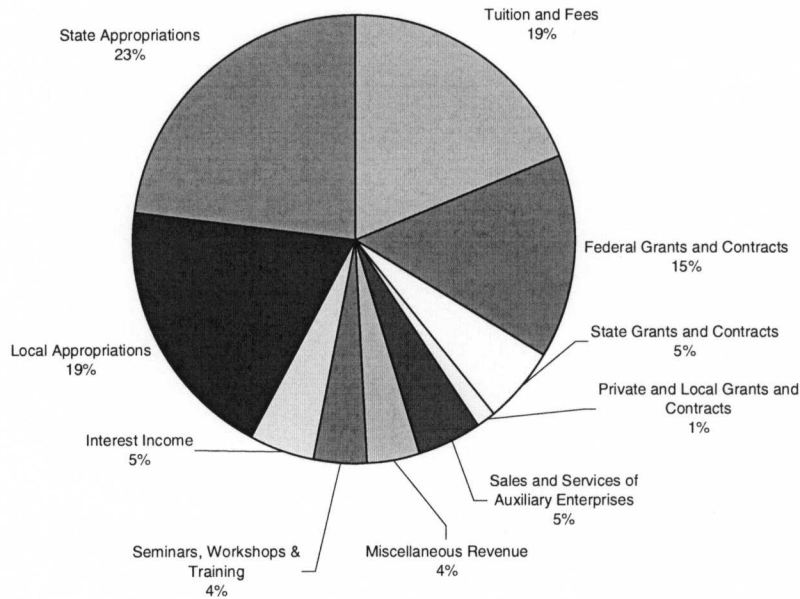
	For Fiscal Year Ended 6/30/07	For Fiscal Year Ended 6/30/06	For Fiscal Year Ended 6/30/05	For Fiscal Year Ended 6/30/04
Operating Revenues	\$ 9,282,427	\$ 9,388,854	\$ 8,676,817	\$ 9,744,274
Operating Expenses	\$ (15,891,710)	\$ (15,406,553)	\$ (13,998,409)	\$ (14,263,315)
Operating Loss	\$ (6,609,283)	\$ (6,017,699)	\$ (5,321,592)	\$ (4,519,041)
Net Nonoperating Revenues/(Expenses)	\$ 8,472,375	\$ 8,786,334	\$ 6,560,046	\$ 6,418,544
Change in Net Assets	\$ 1,863,092	\$ 2,768,635	\$ 1,238,454	\$ 1,899,503
Beginning Net Assets	\$ 13,698,029	\$ 10,973,756	\$ 9,880,079	\$ 7,980,576
Prior Period Adjustments	\$ (109,061)	\$ (44,362)	\$ (144,777)	
Net Assets - end of year	\$ 15,452,060	\$ 13,698,029	\$ 10,973,756	\$ 9,880,079

Information regarding revenue and expense items:

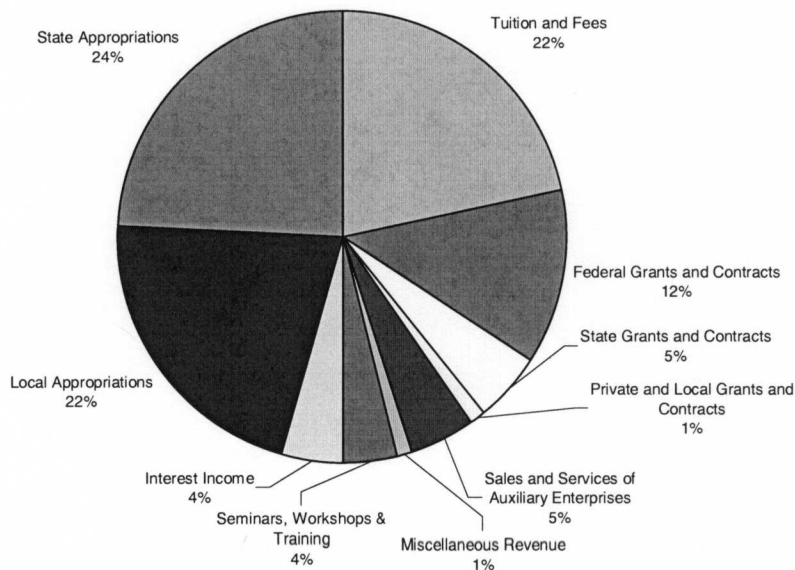
- Operating Revenue: Operating Revenues for FY2007 are \$9,282,427 compared to \$9,388,854 for FY2006. These results consisted of additional Tuition and Fee Revenues that partially offset decreased State and Federal Grant Revenue as compared to the same revenue items in FY2006.
- Operating Expense: Operating Expenses for FY2007 are \$15,891,710 versus \$15,406,553 for FY2006. Contributions to the operating expense included lower Salary and Benefits expense and increased Scholarship expense as compared to the same expense items in FY2006.
- Non Operating Revenues (Expenses): Non Operating Revenues for FY2007 are \$8,472,375 and \$8,786,334 for FY2006. This total included increased Local Appropriation revenue as compared to the same Non Operating Revenue item for FY2006. Excluding a one time Gain on Disposal in FY2006, Non Operating Revenue for FY2007 would have increased \$251,531.

All revenues by source are illustrated below (includes all funds, not just general operating):

FY2006 REVENUES

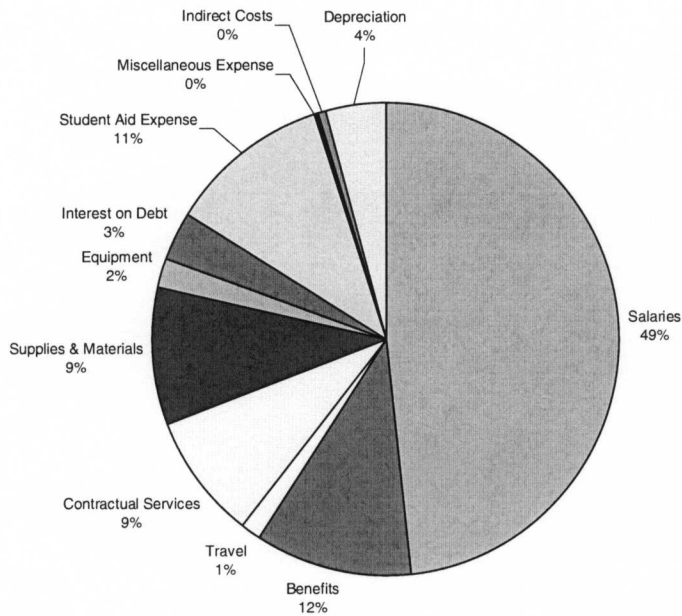


FY2007 REVENUES

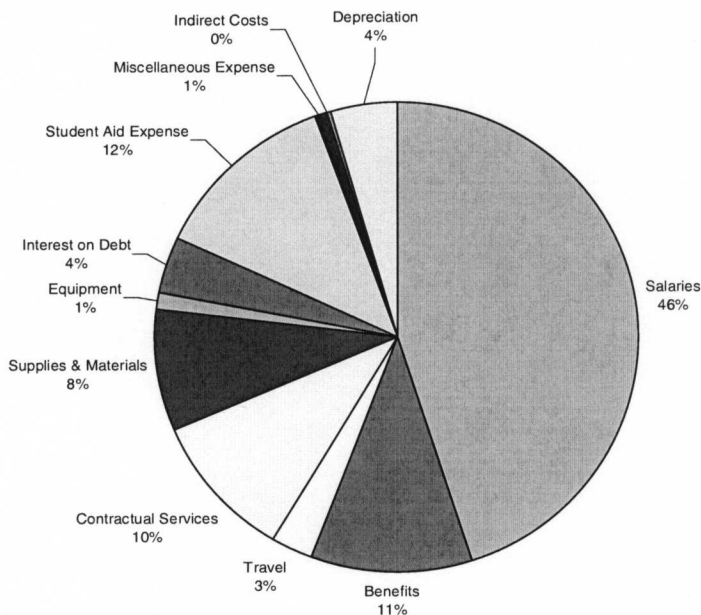


Expenses by natural classification are illustrated below for each fiscal year (includes all funds, not just general operating):

FY2006 EXPENSES



FY2007 EXPENSES



Statement of Cash Flows

The Statement of Cash Flows summarizes where cash was provided or utilized throughout the fiscal year. Cash flows are presented in operating activities, non-capital financing activities, capital and related financing activities and investing activities. The sum of these four categories

is the net change in cash which was a decrease of \$12,209,344 for FY2007. The large increases in cash for FY2005 and FY2006 are primarily made up of the bond proceeds issued for the campus expansion. FY2007 shows the use of cash as the proceeds were spent for the construction project.

	For Fiscal Year Ended 6/30/07	For Fiscal Year Ended 6/30/06	For Fiscal Year Ended 6/30/05	For Fiscal Year Ended 6/30/04
Cash Provided (Used) by:				
Operating Activities	\$ (5,983,875)	\$ (4,267,109)	\$ (4,344,094)	\$ (5,252,9
Noncapital Financing Activities	\$ 8,158,555	\$ 7,725,282	\$ 6,591,145	\$ 6,525,6
Capital and Related Financing Activities	\$ (15,166,207)	\$ 434,165	\$ 8,314,621	\$ (1,224,8
Investing Activities	\$ 782,183	\$ 889,587	\$ 166,773	\$ 59,7
Net Increase (Decrease) in Cash	\$ (12,209,344)	\$ 4,781,925	\$ 10,728,445	\$ 107,5
Cash and Cash Equivalents, beginning of year	\$ 19,389,731	\$ 14,607,806	\$ 3,879,361	\$ 3,771,8
Cash and Cash Equivalents, end of year	\$ 7,180,387	\$ 19,389,731	\$ 14,607,806	\$ 3,879,3

Significant Pending Financial Issues

CONSTRUCTION IN PROGRESS

The college expansion is nearing its final stages of completion. In December 2002, the voters of Flathead County authorized the construction of three new buildings and some renovations of the existing facilities. The three new facilities are the Occupational Trades building, the Arts and Technology building, and the Early Childhood Center. The renovations to the existing facility took place in the SAT campus building.

Due to some unavoidable delays, the project was not able to break ground until September of 2005. That delay cost the project in inflationary impacts. Changes were made to the original schematics that would not impact the integrity or the function of those buildings but would lower costs of construction. There remained a \$3.5 million shortfall. The college has received an InterCap loan through the Montana Board of Investments. The design of this loan is to be solely used for the purposes of timely completion of the project. The FVCC Foundation is currently engaged in a capital campaign to raise the funds to cover the \$3.5 million shortfall.

MANAGEMENT INFORMATION SYSTEM

The college has completed its transition to a new Enterprise Resource Planning system. As employees gain a greater familiarity with the expanded capabilities of the new system, the college will enjoy an increased level of reporting and functionality. Costs for the maintenance and upgrades of the various modules are expected to be lower than the previous software platform.

Denning, Downey & Associates, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

1740 U.S. Hwy 93 South - Suite 101 Kalispell, MT 59901

INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Flathead Valley Community College
Flathead County
Kalispell, Montana

We have audited the accompanying financial statements of the business-type activities, the discretely presented component units, and the aggregate remaining fund information of Flathead Valley Community College, Flathead County, Montana, as of and for the year ended June 30, 2007, which collectively comprise the College's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Flathead Valley Community College management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the College's discretely presented component unit, which has a year end of December 31, 2006. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amount included for the audited component unit of the college, is based on the report of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the report of other auditors, provides a reasonable basis for our opinions.

In our opinion, based on our report and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities, the discretely presented component units, and the aggregate remaining fund information of the Flathead Valley Community College, Flathead County, Montana, as of June 30, 2007, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 20, 2007, on our consideration of the Flathead Valley Community College's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis on pages 2 through 8, is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the College's basic financial statements. The accompanying Schedules of Student Financial Aid Modified Statement of Cash Receipts and Disbursements and Student Financial Assistance Programs are presented for purposes of additional analysis, and are not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and we express no opinion on them. The accompanying Schedule of Full Time Equivalent is presented for purposes of additional analysis and is not a required part of the financial statements of Flathead Valley Community College, Flathead County, Montana. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Denning, Downey and Associates, CPA's, P.C.

November 20, 2007

Flathead Valley Community College, Flathead County, Montana
Statement of Net Assets
Proprietary Funds
June 30, 2007

ASSETS

Current assets:	
Cash and cash equivalents	\$ 7,180,387
Taxes receivable	356,845
Grants receivable	405,475
Accounts receivable	800,262
Deferred tuition waivers	5,278
Prepaid expense	3,621
Deposits	68,010
Current portion of bond issuance costs	201,197
Inventory	170,510
Total current assets	\$ <u>9,191,585</u>
Noncurrent assets:	
Capital assets - construction in progress	\$ 17,288,476
Capital assets - depreciable, net	6,599,512
Land	2,014,863
Total noncurrent assets	\$ <u>25,902,851</u>
Total assets	\$ <u><u>35,094,436</u></u>

LIABILITIES

Current liabilities:	
Accounts payable and accrued liabilities	\$ 1,182,512
Accrued payroll	73,196
Deferred revenue - tuition and fees	527,106
Deferred revenue - grants	24,152
Tuition deposits	636
Due to student organizations	2,108
Bond premium	138,693
Interest payable	8,063
Current portion of compensated absences payable	61,978
Current portion of long-term capital liabilities	1,100,475
Total current liabilities	\$ <u>3,118,919</u>
Noncurrent liabilities:	
Noncurrent compensated absences payable	\$ 1,056,068
Noncurrent portion of long-term capital liabilities	15,467,389
Total noncurrent liabilities	\$ <u>16,523,457</u>
Total liabilities	\$ <u><u>19,642,376</u></u>

NET ASSETS

Invested in capital assets, net of related debt	\$ 9,334,987
Unrestricted	6,117,073
Total net assets	\$ <u>15,452,060</u>
Total liabilities and net assets	\$ <u><u>35,094,436</u></u>

See accompanying Notes to the Financial Statements

Flathead Valley Community College, Flathead County, Montana
Statement of Revenues, Expenses, and Changes in Net Assets
Proprietary Funds
For the Fiscal Year Ended June 30, 2007

OPERATING REVENUES

Tuition and fees (net of scholarship allowances of \$312,433)	\$ 3,972,131
Federal grants and contracts	2,281,528
State grants and contracts	887,021
Private and local grants and contracts	237,702
Indirect cost recoveries	70,428
Seminars and workshops (net of waivers of \$14,535)	719,849
Training	44,311
Auxiliary activities:	
Bookstore	756,137
Food services	90,947
	222,373
Other operating revenues	
Total operating revenues	\$ <u>9,282,427</u>

OPERATING EXPENSES

Salaries	\$ 7,425,056
Benefits	1,794,273
Travel and entertainment	483,819
Supplies	1,396,151
Contracted services	995,757
Bond issue expense	22,431
Bad debt expense	49,135
Scholarships and grants	2,061,426
Noncapitalized equipment	175,245
Indirect costs	64,926
Other operating expenses	43,273
Depreciation expense	717,127
Work study	20,247
Registration fees	73,290
Staff development	14,503
Insurance	72,318
Building lease	268,620
Utilities	214,113
Total operating expenses	\$ <u>15,891,710</u>
Operating income (loss)	\$ <u>(6,609,283)</u>

NONOPERATING REVENUES (EXPENSES)

Transfers (out)	\$ (1,000)
Interest income	782,183
State appropriations	4,399,150
Local appropriations	3,939,158
Interest payments	(647,116)
Total non-operating revenues (expenses)	\$ <u>8,472,375</u>
Income (loss) before contributions and transfers	\$ <u>1,863,092</u>

Net assets - beginning	\$ 13,698,029
Restatements	(109,061)
Net assets - beginning restated	\$ <u>13,588,968</u>
Net assets - ending	\$ <u><u>15,452,060</u></u>

See accompanying Notes to the Financial Statements

Flathead Valley Community College, Flathead County, Montana
Statement of Cash Flows
Proprietary Funds
For the Fiscal Year Ended June 30, 2007

Cash flows from operating activities:	\$ 3,917,907
Cash received from students	3,406,251
Cash received from grants and contracts	1,056,961
Cash received from miscellaneous sources	847,084
Cash received from auxiliary activities	(2,061,426)
Cash payments for scholarships and grants	(3,931,323)
Cash payments for claims	(9,219,329)
Cash payments to employees	\$ (5,983,875)
Net cash provided (used) by operating activities	\$ (5,983,875)
 Cash flows from capital and related financing activities:	
Principal paid on bonds, loans and advances	\$ (1,880,339)
Interest paid on bonds, loans and advances	(121,609)
Acquisition and construction of capital assets	(13,164,259)
Net cash provided (used) by capital and related financing activities	\$ (15,166,207)
 Cash flows from non-capital financing activities:	
Transfers between funds	\$ (1,000)
State and local appropriations	8,338,308
Student organization agency transactions	(178,753)
Net cash provided (used) from non-capital financing activities	\$ 8,158,555
 Cash flows from investing activities:	
Interest on investments	\$ 782,183
Net cash provided (used) by investing activities	\$ 782,183
 Net increase (decrease) in cash and cash equivalents	\$ (12,209,344)
 Cash and cash equivalents at beginning	19,389,731
 Cash and cash equivalents at end	\$ 7,180,387
 Reconciliation of operating income (loss) to net cash provided (used) by operating activities:	
Operating income (loss)	\$ (6,609,283)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
Depreciation	717,127
Bad debt expense	49,135
Bond issue expense	22,431
Changes in assets and liabilities:	
Deposits payable	(159)
Accounts receivable	(181,149)
Grants receivable	294,195
Accounts payable	18,781
Accrued payroll	(23,317)
Compensated absences	(3,422)
Prepaid expenses	(3,621)
Deferred revenue	(230,080)
Inventories	(34,513)
Net cash provided (used) by operating activities	\$ (5,983,875)

See accompanying Notes to the Financial Statements

Flathead Valley Community College Foundation, Flathead County, Montana
Statement of Financial Position
December 31,2006

ASSETS

Cash and cash equivalents	\$ 1,025,984
Investments	2,068,595
Pledges receivable	351,806
Miscellaneous receivables	2,000
Other assets	47,197
Software	1,625
Total Assets	\$ <u>3,497,207</u>

LIABILITIES

Accounts payable and other liabilities	\$ 36,038
Foundation scholarships payable	108,966
Other scholarships payable	88,695
Total Liabilities	\$ <u>233,699</u>

NET ASSETS

Unrestricted	\$ 473,813
Temporarily Restricted	1,496,800
Permanently Restricted	1,292,895
Total Net Assets	\$ <u>3,263,508</u>
 Total Liabilities and Net Assets	 \$ <u><u>3,497,207</u></u>

See accompanying Notes to the Financial Statements

Flathead Valley Community College Foundation, Flathead County, Montana
Statement of Activities
For the Year Ended December 31, 2006

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
REVENUES, GAINS AND OTHER SUPPORT				
Pledges and other public support	\$ 118,522	\$ 456,380	\$ 44,392	\$ 619,294
In-kind donations	146,809	-	-	146,809
Net realized and unrealized investment gains	16,283	107,939	-	124,222
Investment income	28,428	63,410	-	91,838
Net assets released from restrictions	59,260	(59,260)	-	-
Total revenues, gains and other support	<u>\$ 369,302</u>	<u>\$ 568,469</u>	<u>\$ 44,392</u>	<u>\$ 982,163</u>
ALLOCATIONS AND EXPENSES				
Program services	\$ 110,641	\$ -	\$ -	\$ 110,641
Scholarship awards	95,990	-	-	95,990
Program disbursements	39,326	-	-	39,326
Other programs expenses	7,249	-	-	7,249
Prizes				
Supporting services	10,055	-	-	10,055
Professional fees	9,760	-	-	9,760
Investment management fees	85,041	-	-	85,041
Management and general	<u>\$ 358,062</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 358,062</u>
Total allocations and expenses				
Change in net assets	\$ 11,240	\$ 568,469	\$ 44,392	\$ 624,101
Net assets, beginning of period	<u>\$ 462,573</u>	<u>\$ 928,331</u>	<u>\$ 1,248,503</u>	<u>\$ 2,639,407</u>
Net assets, end of period	<u><u>\$ 473,813</u></u>	<u><u>\$ 1,496,800</u></u>	<u><u>\$ 1,292,895</u></u>	<u><u>\$ 3,263,508</u></u>

See accompanying Notes to the Financial Statements

Flathead Valley Community College Foundation, Flathead County, Montana
Statement of Cash Flows
For the Year Ended December 31, 2006

CASH FLOWS FROM OPERATING ACTIVITIES

Change in net assets	\$ 624,101
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:	
Net realized and unrealized investment gains	(124,222)
(Increase) decreases in assets:	
Pledges receivables	6,675
Other assets	(2,000)
Increase (decrease) in liabilities:	
Accounts payable and other liabilities	6,220
Scholarships payable	43,746
Net cash provided by operating activities	\$ <u>554,520</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Payments for purchase of investments	\$ <u>(250,456)</u>
Increase in cash and cash equivalents	\$ 304,064
Cash and cash equivalents - beginning of period	\$ <u>721,920</u>
Cash and cash equivalents - end of period	\$ <u><u>1,025,984</u></u>

See accompanying Notes to the Financial Statements

Flathead Valley Community College, Flathead County, Montana
Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2007

		Private- Purpose Trusts
ASSETS		
Cash and short-term investments	\$	165,164
Grants receivable		30,212
Accounts receivable		48
Prepaid expense		14
Capital Assets		549
Total assets	\$	<u>195,987</u>
LIABILITIES		
Deferred revenue - tuition and fees		8,547
Due to student organizations		178,318
Total liabilities	\$	<u>186,865</u>
NET ASSETS		
Assets held in trust	\$	<u><u>9,122</u></u>

See accompanying notes to the financial statements

Flathead Valley Community College, Flathead County, Montana
Statement of Changes in Fiduciary Net Assets
Fiduciary Funds
For the Fiscal Year Ended June 30, 2007

		Private Purpose Trust Funds
ADDITIONS:		
Contributions:		
Contributions from private sources	\$	93,483
Transfers in		1,000
Total contributions	\$	94,483
Total additions	\$	94,483
DEDUCTIONS:		
Student activities		87,903
Total deductions	\$	87,903
Change in net assets	\$	6,580
Net assets - beginning of the year	\$	2,542
Net assets - end of the year	\$	9,122

See accompanying notes to the financial statements

FLATHEAD VALLEY COMMUNITY COLLEGE
FLATHEAD COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2007

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The College complies with generally accepted accounting principles (GAAP). GAAP includes all relevant Governmental Accounting Standards Board (GASB) pronouncements. In the government-wide financial statements, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails. For enterprise funds GASB statement Nos. 20 and 34 provide the College the option of electing to apply FASB pronouncements issued after November 30, 1989. The College has elected not to apply those pronouncements.

Financial Reporting Entity

In determining the financial reporting entity, the College complies with the provisions of GASB statement No. 14, *The Financial Reporting Entity*, and includes all component units of which the College appointed a voting majority of the units' board; the College is either able to impose its will on the unit or a financial benefit or burden relationship exists.

Primary Government

The College was established under Montana law to provide post-secondary educational services. Based on the criteria for determining the reporting entity (separate legal entity and financial or fiscal dependency on other governments) the College is a primary government as defined by GASB Cod. Sec. 2100 and has component units.

Discretely Presented Component Units

Discretely presented component units are separate legal entities that meet the component unit criteria described above but do not meet the criteria for blending. The component units listed below have a fiscal year ending December 31, 2006. The College has the following discretely presented component units:

Flathead Valley Community College Foundation

FLATHEAD VALLEY COMMUNITY COLLEGE
FLATHEAD COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2007

Summary of Significant Accounting Policies

Nature of Activities

The Flathead Valley Community College Foundation is a non profit organization exempt from federal income tax under Section 501 (c) (3) of the Internal Revenue Code. The Flathead Valley Community College Foundation assists the Flathead Valley Community College in achieving its mission to provide affordable and accessible comprehensive, quality, student-centered academic preparation and innovative vocational training programs. The mission of the Flathead Valley Community College Foundation is to assist the College with fundraising and to promote community awareness of campus needs to increase the flow of resources to support excellence in education. The primary sources of revenue for the Endowment are from contributions and investment income.

Basis of Accounting

The accounts of the Foundation are maintained, and the financial statements are prepared, on the accrual basis of accounting. Accordingly, revenues are recognized when earned and expenses are recognized when incurred.

The Foundation uses a public purpose trust fund to account for its activities.

Cash and Cash Equivalents

For financial statement purposes, the Foundation considers all highly-liquid investments purchased with an original maturity of three months or less to be cash equivalents.

Classification of Net Assets

The Foundation classifies contributions as unrestricted, temporarily restricted and permanently restricted net assets in accordance with donor stipulations. Permanently restricted net assets consist of endowed gifts where donors have specified investment in perpetuity to generate income for specified restricted and unrestricted purposes. Temporarily restricted net assets include gifts restricted as to purpose of time. When a donor restriction expires (time restriction ends, purpose restriction is accomplished, or payments are received for unconditional promises to give), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restriction. All expenses are reported in unrestricted net assets.

In-Kind Donations

The Foundation seeks and receives the volunteer efforts of many members of the community in attaining its goals. Only services for which the donor has specialized skills and would ordinarily receive compensation are considered donations in-kind. All donated goods are considered gifts in-kind and are valued at their fair market value at the time of donation. The value of donated services is determined by the donors as the usual fees they would receive for such service in the normal course of their business.

FLATHEAD VALLEY COMMUNITY COLLEGE
FLATHEAD COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2007

Donors are provided receipts showing estimated fair market value for their in-kind donations: these values are established by the donors. Donated goods and services are recorded in the financial statements as unrestricted functional expense or capitalized assets.

Investments

The investments are carried at fair value, unrecognized gains and losses are reflected in the Statement of Activities. All gains and investment income are allocated to unrestricted, temporarily restricted or permanently restricted net assets based on the nature of the restrictions, if any, on the invested assets. Investment income earned from temporarily restricted or permanently restricted net assets that is used to pay scholarships within the same reporting period is accounted for as unrestricted.

Pledges Receivable

Pledges receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a provision for bad debt expense and an adjustment to a valuation allowance, if applicable, based on its assessment of the current status of individual accounts. As of December 31, 2005, no valuation of allowance has been established as management does not anticipate any material loss with respect to the remaining balance of pledges receivable.

Property and Equipment

Property and equipment are recorded at cost when purchased or at fair value at the date of the gift. Depreciation is provided on a straight-line basis over the estimated useful lives of the assets, ranging from five to seven years.

Contributions

Contributions, including unconditional promises to give, are recognized as unrestricted, temporarily restricted or permanently restricted revenue in accordance with donor stipulations. Unconditional promised to give with payments due in the future periods are recognized as temporarily restricted revenue. Restricted contributions whose restrictions are met within the same reporting period are accounted for as unrestricted support. Unconditional and conditional promises to give are valued at the present value of amounts expected in future years, provided that reliable information is available. Donors included individuals and businesses who principally reside in Flathead Montana.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosures of contingent assets and liabilities, and the reported amounts of revenue and expenses. Actual results could differ from those estimates.

FLATHEAD VALLEY COMMUNITY COLLEGE
FLATHEAD COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2007

Basis of Presentation, Measurement Focus and Basis of Accounting.

Proprietary Funds:

All proprietary funds are accounted for using the accrual basis of accounting. These funds account for operations that are primarily financed by user charges. The economic resource focus concerns determining costs as a means of maintaining the capital investment and management control. Revenues are recognized when earned and expenses are recognized when incurred. Allocations of costs, such as depreciation, are recorded in proprietary funds.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connections with a proprietary fund's principal ongoing operations. The principal operating revenues for enterprise funds are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. When both restricted and unrestricted resources are available for use, it is the College's policy to use restricted resources first, then unrestricted resources as they are needed. The College has only one fund other than Fiduciary Funds.

Fiduciary Funds

The College reports the student activities funds as fiduciary funds as they represent assets held in a trust capacity for the student activities and therefore cannot be used to support the College's own programs.

NOTE 2. CASH, CASH EQUIVALENTS, AND INVESTMENTS

Cash Composition

The College's cash, except for the Perkins Loan Fund is held by the County Treasurer and pooled with other County cash. College cash which is not necessary for short-term obligations, the College participates in a County-wide investment program whereby all available cash is invested by the County Treasurer in pooled investments. Interest earned on the pooled investments is distributed to each contributing entity and fund on a pro rata basis. The College's investment portfolio as of June 30, 2007, consisted of time deposits, repurchase agreements, government bonds, government securities, U.S. Treasury Notes and the State Short-Term Investment Pool (STIP). The Flathead County external investment pool is unrated.

The College does not own specific identifiable investment securities in the pool; therefore, is not subject to categorization. Information regarding investment risk, collateral, security, and fair values for Flathead County deposits and investments is available from Flathead County Treasurer's office, 800 S. Main Street, Kalispell, Montana 59901. The Flathead County external investment pool is not rated. The College has also directed the County Treasurer to invest certain funds. These investments are STIP and U.S. Government bonds.

FLATHEAD VALLEY COMMUNITY COLLEGE
FLATHEAD COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2007

Authorized investments allowed by Section 20-9-213, MCA, include savings or time deposits in a state or national bank, building or loan association, or credit union insured by the FDIC or NCUA located in the state; repurchase agreements; and the State Unified Investment Program. Further, Section 7-6-202, MCA, authorized investments in U. S. government treasury bills, notes, bonds, U.S. Treasury obligations, treasury receipts, general obligations of certain agencies of the United States, and U.S. government security money market fund if the fund meets certain conditions.

For purposes of the Statement of Cash Flows, cash equivalents include all cash and investments.

Component Unit Cash and Cash Equivalents

The components of cash and cash equivalents as of December 31, 2006 are as follows:

Cash in bank and on hand	\$	27,720
Endowment money market investments		138,757
Other money market investments		<u>859,507</u>
Total	\$	<u>1,025,984</u>

Component Unit Investments

The Foundation invests primarily in U.S. Treasury bonds, government agency bonds, mutual funds, equity securities, and corporate debt securities. At December 31, 2006, investments are comprised of the following:

	<u>Amortized Cost</u>	<u>FMV</u>
Government and agencies	\$ 409,357	\$ 406,838
Corporate bonds and bond funds	348,740	336,379
Equity securities	<u>945,104</u>	<u>1,325,378</u>
Total	<u>\$ 1,703,201</u>	<u>\$ 2,068,595</u>

NOTE 3. RECEIVABLES

An allowance for uncollectible accounts was not maintained for real and personal property taxes receivable. The direct write-off method is used for these accounts.

Property tax levies are set in August, in connection with the budget process, and are based on taxable values listed as of January 1 for all property located in the District. Taxable values are established by the Montana Department of Revenue, and a revaluation of all property is required to be completed on a periodic basis. Taxable value is defined by Montana statute as a fixed percentage of market value.

FLATHEAD VALLEY COMMUNITY COLLEGE
FLATHEAD COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2007

Real property taxes are generally billed in October and are payable 50% by November 30 and 50% by May 31. After these dates, taxes become delinquent and become a lien on the property. Personal property is assessed and personal property taxes are billed throughout the year, with a significant portion generally billed in May, June, and July. Personal property taxes are based on levies set during the prior August. These taxes become delinquent 30 days after billing.

Taxes that become delinquent are charged interest at the rate of 5/6 of 1% a month plus a penalty of 2%. Real property on which taxes remain delinquent and unpaid may be sold at tax sales. In the case of personal property, the property is to be seized and sold after the taxes become delinquent.

NOTE 4. INVENTORIES AND PREPAIDS

Inventories are valued at cost using the First In First Out (FIFO) method.

The cost of inventories are recorded as an expenditure when consumed.

Prepays record payments to vendors that benefit future reporting periods and are also reported on the consumption basis.

NOTE 5. CAPITAL ASSETS

The College's assets are capitalized at historical cost or estimated historical cost. College policy has set the capitalization threshold for reporting capital assets based on the type of capital asset. Buildings and building improvements costing more than \$25,000, any land purchases regardless of cost, land improvements and infrastructure costing \$10,000 or more, and library books treated as a collection is 3% or more of total capital assets reported by the Flathead Valley Community College are capitalized. Gifts or contributions of capital assets are recorded at fair market value when received. The costs of normal maintenance and repairs are charged to operations as incurred. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets, as applicable. Depreciation is recorded on a straight-line basis over the useful lives of the assets as follows:

Information Technology.....	10-20 years
Buildings.....	40 years
Building Improvements	40 years
Equipment.....	5-20 years
Library.....	10 years
Land Improvements	20 years

FLATHEAD VALLEY COMMUNITY COLLEGE
FLATHEAD COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2007

In June 1999, the Governmental Accounting Standards Board (GASB) issued Statement No. 34 which requires the inclusion of infrastructure capital assets in the basic financial statements. In accordance with Statement No. 34, the College has included the value of all infrastructure into the 2006-07 Basic Financial Statements. The College has elected not to retroactively report general infrastructure assets.

The following is a summary of capital assets:

	Balance July 1, 2006	Additions	Deletions	Balance June 30, 2007
Capital assets not being depreciated:				
Land	\$ 2,014,863	\$ -	\$ -	\$ 2,014,863
Construction in Progress	<u>4,032,861</u>	<u>13,255,615</u>	<u>-</u>	<u>17,288,476</u>
Total capital assets not being depreciated	<u>\$ 6,047,724</u>	<u>\$13,255,615</u>	<u>\$ -</u>	<u>\$ 19,303,339</u>
Other Capital Assets:				
Buildings	\$ 6,781,167	\$ -	\$ -	\$ 6,781,167
Improvements Other than Buildings	472,981	-	-	472,981
Equipment	3,443,998	268,876	(95,996)	3,616,878
Leased Equipment	-	378,115	-	378,115
Library Inventory	224,126	39,699	(20,530)	243,295
Leasehold Improvements	365,586	-	-	365,586
Information Technology	<u>291,273</u>	<u>2,804</u>	<u>-</u>	<u>294,077</u>
Total other Capital Assets at historical cost	<u>\$ 11,579,313</u>	<u>\$ 689,494</u>	<u>\$ (116,526)</u>	<u>\$ 12,152,099</u>
Less Accumulated Depreciation	<u>\$ (4,948,506)</u>	<u>\$ (717,127)</u>	<u>\$ 113,046</u>	<u>\$ (5,552,587)</u>
Total	<u>\$ 12,678,349</u>	<u>\$13,227,982</u>	<u>\$ (3,480)</u>	<u>\$ 25,902,851</u>

NOTE 6. LONG TERM DEBT OBLIGATIONS

In the proprietary financial statements, outstanding debt is reported as liabilities.

Changes in Long-Term Debt Liabilities - During the year ended June 30, 2007, the following changes occurred in liabilities reported in long-term debt:

Business-type Activities:

	Balance July 1, 2006	Deletions	Balance June 30, 2007	Due within one year
Contracted Debt	\$ 484,357	\$112,493	\$ 371,864	\$ 112,305
General Obligation Bonds	16,966,000	770,000	16,196,000	1,006,000
Compensated Absences	<u>1,121,468</u>	<u>3,422</u>	<u>1,118,046</u>	<u>61,966</u>
Total	<u>\$18,571,825</u>	<u>\$885,915</u>	<u>\$17,685,910</u>	<u>\$1,180,271</u>

FLATHEAD VALLEY COMMUNITY COLLEGE
FLATHEAD COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2007

General Obligation Bonds – The District issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the District. General obligation bonds outstanding as of June 30, 2007 were as follows:

General Obligation Bonds:

<u>Purpose</u>	<u>Origination Date</u>	<u>Interest Rate</u>	<u>Term</u>	<u>Maturity Date</u>	<u>Principal Amount</u>	<u>Balance June 30, 2007</u>
Series 2003	3/1/03	1.0-2.3%	4 yrs	7/1/07	\$ 2,400,000	585,000
Series 2005	3/15/05	3.5-5.0%	20 yrs	7/1/25	9,900,000	\$ 9,695,000
Series 2006	7/1/06	3.75-5.0%	20 yrs	7/1/26	<u>5,916,000</u>	<u>5,916,000</u>
Total					<u>\$18,216,000</u>	<u>\$16,196,000</u>

Annual requirement to amortize debt:

<u>For Fiscal Year Ended</u>	<u>Principal</u>	<u>Interest</u>
2008	\$ 1,006,000	\$ 608,453
2009	565,000	578,769
2010	590,000	553,406
2011	625,000	529,700
2012	650,000	506,812
2013-2017	3,635,000	2,151,962
2018-2022	4,420,000	1,387,744
2023-2028	<u>4,705,000</u>	<u>437,496</u>
Total	<u>\$16,196,000</u>	<u>\$6,754,342</u>

Loans/contracted debt:

<u>Purpose</u>	<u>Origination Date</u>	<u>Interest Rate</u>	<u>Term</u>	<u>Maturity Date</u>	<u>Principal Amount</u>	<u>Balance June 30, 2007</u>
Glacier Notes Payable	8/14/01	5.3%	10 yrs	8/14/11	\$675,000	\$347,577
Gallis Note Payable	8/14/01	7.0%	6 yrs	8/14/07	<u>244,000</u>	<u>24,287</u>
Total					<u>\$919,000</u>	<u>\$371,864</u>

Annual requirement to amortize debt:

<u>For Fiscal Year Ended</u>	<u>Principal</u>	<u>Interest</u>
2008	\$ 94,702	\$18,481
2009	74,226	13,822
2010	78,241	9,807
2011	82,474	5,574
2012	<u>42,221</u>	<u>1,127</u>
Total	<u>\$371,864</u>	<u>\$48,811</u>

FLATHEAD VALLEY COMMUNITY COLLEGE
FLATHEAD COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2007

Compensated Absences

Non-teaching College employees earn vacation leave ranging from fifteen to twenty-four days per year depending on the employee's years of service. Vacation leave may be accumulated not to exceed two times the maximum number of days earned annually. Sick leave is earned at a rate of one day per month for non-teaching and teaching employees. Upon retirement or termination, employees are paid for 100% of unused vacation leave and 25% of unused sick leave. Upon termination, all payments are made at the employee's current rate of pay.

NOTE 7. STATE-WIDE RETIREMENT PLANS

The College participates in two cost-sharing, multiple-employer defined benefit pension plans. The plans provide retirement, death, and disability benefits to plan members and beneficiaries with amounts determined by the State. Teaching employees (including principals and superintendents) are covered by Montana Teachers Retirement Plan (TRS), and substantially all other College employees are covered by the Montana Public Employees Retirement System (PERS). The plans are established by Montana law and administered by the State of Montana.

Contribution rates are required and determined by State law. The contribution rates, expressed as a percentage of covered payroll for the fiscal year ended June 30, 2007, were:

	<u>PERS</u>	<u>TRS</u>
Employer	6.80%	7.47%
Employee	6.90%	7.15%
State	0.10%	0.11%

The State contribution qualifies as an on-behalf payment. These amounts have not been recorded in the College's financial statements and were considered immaterial.

Publicly available financial reports that include financial statements and required supplementary information may be obtained for the plans by writing or calling:

1. Public Employees Retirement Division, P.O. Box 200131, Helena, Montana 59620-0131 Phone: 1-406-444-3154
2. Teachers' Retirement System, P.O. Box 200319, Helena, Montana 59620-0139 Phone: 1-406-444-3134

Total contributions for the years ended June 30, 2005, 2006, and 2007, as listed below, were equal to the required contributions for each year.

	<u>PERS</u>	<u>TRS</u>
2005	\$ 432,250	\$ 476,317
2006	\$ 477,766	\$ 520,301
2007	\$ 460,842	\$ 494,513

FLATHEAD VALLEY COMMUNITY COLLEGE
FLATHEAD COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2007

NOTE 8. POST EMPLOYMENT BENEFITS

Terminated employees may remain on the College's health insurance plan for up to 18 months if they pay the monthly premiums. This benefit is required under the federal COBRA law. Retirees may remain on the College's health plan to age 65, provided they pay the monthly premiums. State law requires the College to provide this benefit. No cost can be estimated for the above benefits, although there is the probability that there are higher medical costs for retirees which would result in additional costs to the insurance program.

The College had 14 retired employees and no terminated employees participating in the plan as of June 30, 2007.

NOTE 9. RESTRICTED CASH/INVESTMENTS

Component Unit – Board Restrictions

Unrestricted net assets include Board restricted cash and investments for various foundation projects and other uses. Total Board restricted cash and investments at December 31, 2006, was \$241,749.

NOTE 10. RESTATEMENTS

During the current fiscal year, the following adjustments relating to prior years' transactions were made to net assets.

<u>Amount</u>	<u>Reason for Adjustment</u>
\$109,061	Prior period revenue

NOTE 11. RELATED PARTY TRANSACTIONS

Related Party Transactions Component units

The following schedule presents significant transactions between the primary government and its component units during the year ended June 30, 2007:

<u>Component Unit</u>	<u>Significant Transactions</u>
Flathead Valley Community College Foundation	Donated \$ 266,094.90

FLATHEAD VALLEY COMMUNITY COLLEGE
FLATHEAD COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2007

NOTE 13. RISK MANAGEMENT

The College faces considerable number of risks of loss, including (a) damage to and loss of property and contents, (b) employee torts, (c) professional liability, i.e., errors and omissions, (d) environmental damage, (e) workers' compensation, i.e., employee injuries, and (f) medical insurance costs of employees. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Insurance Policies:

Commercial policies transferring all risks of loss, except for relatively small deductible amounts are purchased for property and content damage, employees torts, and professional liabilities. Employee medical insurance is provided for by a commercial carrier. And, given the lack of coverage available, the College has no coverage for potential losses from environmental damages.

NOTE 14. PENDING LITIGATION

There was no pending or threatened litigation or unasserted claims or assessments against the College at June 30, 2007.

Flathead Valley Community College
Flathead County, Montana
Supplementary Information
For the Year Ended June 30, 2007

Student Financial Aid Modified Statement
Of Cash Receipts and Disbursements

	<u>PELL</u>	<u>CWS</u>	<u>SEOG</u>
Beginning Cash Balance	\$ <u>(16,990)</u>	\$ <u>(22,888)</u>	\$ <u>(2,250)</u>
Additions:			
Federal Advances	\$ 1,121,241	\$ 79,965	\$ 30,975
State Matching	-	45,473	11,632
Total Additions	\$ <u>1,121,241</u>	\$ <u>125,438</u>	\$ <u>42,607</u>
Deductions:			
Distributions to Students	\$ 1,121,010	\$ 104,664	\$ 52,968
Administrative Expenses	-	3,835	-
Total Deductions	\$ <u>1,121,010</u>	\$ <u>108,499</u>	\$ <u>52,968</u>
Net Change in Cash	\$ <u>231</u>	\$ <u>16,939</u>	\$ <u>(10,361)</u>
Ending Cash Balance	\$ <u><u>(16,759)</u></u>	\$ <u><u>(5,949)</u></u>	\$ <u><u>(12,611)</u></u>

Flathead Valley Community College
Flathead County, Montana
Schedule of Expenditures
Student Financial Assistant Programs
For the Year Ended June 30, 2007
(Unaudited)

	<u>2007</u>
Perkins Loan Program	
Student Loan Advances	\$ <u><u>-</u></u>
College Work Study	
Wages	\$ 48,138
Administrative Cost	5,045
Total College Work Study	\$ <u><u>53,183</u></u>
Supplemental Education Opportunity Grant Program	
Student Grants	\$ <u><u>52,768</u></u>
Pell Grant Program	
Student Grants	\$ <u><u>1,121,241</u></u>

See accompanying Notes to the Financial Statements

**Flathead Valley Community College
Flathead County, Montana
Supplemental Information
Schedule of Full Time Equivalent
For the Year Ended June 30, 2007**

Semester	Resident	WUE	Nonresident	Total
Summer 2006	210.20	0.00	11.40	221.60
Fall 2006	1116.50	6.40	26.73	1149.63
Spring 2007	1082.67	6.20	30.63	1119.50

Denning, Downey & Associates, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

1740 U.S. Hwy 93 South - Suite 101 Kalispell, MT 59901

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING
STANDARDS**

Board of Trustees
Flathead Valley Community College
Flathead County
Kalispell, Montana

We have audited the financial statements of the business-type activities, the discretely presented component units, and the aggregate remaining fund information of Flathead Valley Community College, Flathead County, Montana, as of and for the year ended June 30, 2007, which collectively comprise the Flathead Valley Community College's basic financial statements and have issued our report thereon dated November 20, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the College's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the College's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the College's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the College's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Denning, Downey & Associates, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

1740 U.S. Hwy 93 South - Suite 101 Kalispell, MT 59901

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Flathead Valley Community College's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the College, management, the Montana Department of Administration, the Montana Office of Public Instruction, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Denning, Downey and Associates, CPA's, P.C.

November 20, 2007

Denning, Downey & Associates, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

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**REPORT ON OTHER COMPLIANCE, FINANCIAL, AND INTERNAL ACCOUNTING
CONTROL MATTERS**

Board of Trustees
Flathead Valley Community College
Flathead County
Kalispell, Montana

There were no other compliance, financial, or internal accounting matters.

Denning, Downey and Associates, CPA's, P.C.

November 20, 2007

Denning, Downey & Associates, P.C.
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REPORT ON PRIOR AUDIT REPORT RECOMMENDATIONS

Board of Trustees
Flathead Valley Community College
Flathead County
Kalispell, Montana

The prior audit report contained no recommendations.

Denning, Downey and Associates, CPA's, P.C.

November 20, 2007